Decision Letter

Budget Committee

Meeting No. 12  
Meeting Date Friday, December 6, 2019  
Start Time 9:30 AM  
Location Committee Room 1, City Hall  
Contact Julie Amoroso, Committee Administrator  
Phone 416-392-4666  
E-mail buc@toronto.ca  
Chair Councillor Gary Crawford

BU12.2  
ACTION Adopted  
Ward: All

Operating Variance Report for the Nine Months Ended September 30, 2019

Committee Decision
The Budget Committee recommends that:

1. City Council approve the budget adjustments and any associated complement changes detailed in Appendix D to the report (November 20, 2019) from the Chief Financial Officer and Treasurer to amend the 2019 Approved Operating Budget, such adjustments to have no impact on the 2019 Approved Net Operating Budget of the City.

Origin
(November 20, 2019) Report from the Chief Financial Officer and Treasurer

Summary
The purpose of this report is to provide City Council with the Operating Variance for the nine months ended September 30, 2019 as well as projections to year-end. This report also requests City Council’s approval for amendments to the 2019 Approved Operating Budget that have no impact on the City’s 2019 Approved Net Operating Budget.

The following table summarizes the financial position of the City's Tax Supported Operations as of September 30, 2019 and the projection at year-end:

Table 1 - Tax Supported Operating Variance Summary

<table>
<thead>
<tr>
<th>Variance ($M) Favourable / (Unfavourable)</th>
<th>2019 Q3 YTD</th>
<th>2019 Year-End Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>City Operations</td>
<td>1,659.6</td>
<td>1,605.9</td>
</tr>
<tr>
<td>Agencies</td>
<td>1,555.0</td>
<td>1,545.3</td>
</tr>
<tr>
<td>Corporate Accounts</td>
<td>(4.8)</td>
<td>(193.1)</td>
</tr>
</tbody>
</table>
Year-to-Date and Year-End Spending Results:

As noted in Table 1 above, for the nine months ended September 30, 2019 Tax Supported Operations experienced a favourable net variance of $251.7 million or 7.8 percent of planned expenditures. The key factors contributing to the favourable year-to-date variance are:

- Year-to-date net under expenditure in City Operations is primarily due to lower than planned salary and benefits while sustaining current service levels, as well as higher than planned revenue in Fire Services, Municipal Licensing and Standards, and Toronto Building. Favourable year-to-date variance was partially offset by over spending in Shelter, Support and Housing Administration.

- Favourable net expenditures in agencies driven by under expenditures in TO Live and Toronto Transit Commission, as well as higher cost recoveries and miscellaneous revenue for the Toronto Police Service.

- Favourable revenue from Interest/Investment Earnings and Municipal Land Transfer Tax, as well as lower than planned Debt Charges.

For year-end, the City is projecting a net favourable variance of $181.7 million or 1.9 percent of the 2019 Gross Operating Budget of $13,471 million, adjusted for Toronto Building. The favourable variance is partially offset by Shelter, Support & Housing Administration due to continued high demand for Hostel Services.

Excluding the one-time capital gain realized during the transition of investment portfolios in the Corporate Accounts (Interest/Investment Earnings) as well under expenditures for internal loans, the City is projecting a net favourable adjusted variance of $71.6 million or 0.5 percent of the 2019 Gross Operating Budget. An overview of the key variance drivers can be found in the "Comments" section of this report as well as in a detailed summary provided in Appendix E.

Rate Supported Programs:

Rate Supported Programs reported a favourable year-to-date variance of $64.9 million. The favourable variance is attributed to gross under expenditures in salary and benefits while maintaining service levels, earlier than planned receipt of revenue as well as higher consumption volumes, and one-time capital gain from the sale of property. At year-end, a favourable projected variance is anticipated to be $96.3 million that is primarily driven by gross under spending in Toronto Water and higher revenues from Solid Waste Management.

Rate Supported Programs are funded entirely by the user fees that are used to pay for the services provided and the infrastructure to deliver them. Solid Waste Management Services and Toronto
Water's respective year-end surpluses, if any, must be transferred to the Wastewater and Water Stabilization Reserves and Waste Management Reserve Fund, respectively, to finance capital investments and ongoing capital repairs and maintenance.

Table 2 - Year-To-Date Rate Supported Operating Variance Summary

<table>
<thead>
<tr>
<th>Variance ($M) Favourable / (Unfavourable)</th>
<th>2019 Q3 YTD</th>
<th>2019 Year-End Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Budget</td>
<td>Actual</td>
</tr>
<tr>
<td>Solid Waste Management Services</td>
<td>(5.6)</td>
<td>(23.0)</td>
</tr>
<tr>
<td>Toronto Parking Authority</td>
<td>(49.6)</td>
<td>(58.5)</td>
</tr>
<tr>
<td>Toronto Water</td>
<td>(1.1)</td>
<td>(39.7)</td>
</tr>
<tr>
<td>Total Variance</td>
<td>(56.4)</td>
<td>(121.3)</td>
</tr>
</tbody>
</table>

Background Information